

## Responses to Narrative Questions

*May 8, 2018 DRAFT – Privileged and Confidential*

1. *How CenturyLink determined when to exclude an addressable location in CenturyLink's (or legacy Qwest's) loop qualification database from CenturyLink's merger commitment deployment analysis because of universal service support (including CAF I and/or CAF II);*

In the *CenturyLink/Qwest Merger Order*, the Commission required CenturyLink to report semiannually, beginning March 1, 2012, its progress toward meeting its 3-year, 5-year, and 7-year broadband deployment commitments in the legacy Qwest territory.<sup>1</sup>

In its first four semi-annual progress reports, CenturyLink did not exclude any addressable locations due to those locations being covered by universal service support.

Beginning with its March 1, 2014 report, CenturyLink excluded, as required by the *USF/ICC Transformation Order*,<sup>2</sup> addressable locations that had been upgraded using Connect America Fund Phase I ("CAF I") Incremental Support.

On July 1, 2016, as required, CenturyLink began reporting to the Commission locations that it had built or upgraded using CAF Phase II ("CAF II") support. CenturyLink did not exclude CAF II-supported locations from the merger progress reports it filed on March 1 and September 1, 2017, which covered the period July 1, 2016 to June 30, 2017.

In its March 1, 2018 report, CenturyLink excluded addressable locations for which the Commission had awarded CAF II support (as well as those upgraded using CAF I Incremental Support). CenturyLink did this CAF II exclusion by removing from its merger commitment deployment analysis the number of locations in Qwest territory to which CenturyLink had committed to deploy 10/1 Mbps broadband service as a condition of receiving CAF II support.

2. *How CenturyLink treated an addressable location in its merger commitment deployment analysis that had been served at one of the merger commitment's lower-speed tier levels and then was upgraded to a higher speed using universal service support (including CAF I and/or CAF II) (e.g., CenturyLink built to or served a location with non-universal service support at 1.5 Mbps, then upgraded to 10 Mbps or higher using universal service support); and*

As noted in response to Question 1, beginning with its March 1, 2014 progress report, CenturyLink excluded addressable locations that had been upgraded using CAF I incremental support. Some of these locations were included in one or more semi-annual progress reports prior to those locations being upgraded with CAF I Incremental Support, if, for example,

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<sup>1</sup> *CenturyLink-Qwest Merger Order*, 26 FCC Rcd 4194, App. C (2011).

<sup>2</sup> *USF-ICC Transformation Order*, 26 FCC Rcd 17663 ¶ 146 (2011), subsequent history omitted.

CenturyLink had previously deployed at least 1.5 Mbps service to the location without such support. But, once a location was upgraded to a higher speed using CAF I incremental support, that location was omitted from subsequent progress reports. Thus, CenturyLink did not simultaneously use a location to meet its merger and CAF I commitments.

As to CAF II, CenturyLink initially included addressable locations supported by that program in its semi-annual progress reports. In its March 1, 2018 report, consistent with the treatment of CAF I Incremental support, CenturyLink excluded all addressable locations for which the Commission had awarded CAF II support.

3. *How CenturyLink treated an addressable location in its merger commitment deployment analysis, regardless of the speed deployed to the addressable location, if CenturyLink has accepted universal service support (including CAF I and/or CAF II) for that location but has not yet used the funds at such location.*

As noted in response to Question 1, CenturyLink excluded from its semi-annual progress reports addressable locations that had been upgraded using CAF Phase I Incremental Support. However, CenturyLink did not exclude from those reports addressable locations for which it had accepted, but not yet used, CAF I Incremental Support. At one point, CenturyLink returned a portion of the funds with no additional penalty when it had not met an interim milestone. However, CenturyLink ultimately met all of the milestones and received all of the funding.

In its March 1, 2018 progress report, CenturyLink excluded all CAF II-supported locations, including those for which it had committed to deploy or upgrade broadband service but had not yet done so. Those commitments are binding, and do not contemplate the possibility that a carrier may return some funds in the middle of the program. Indeed, the Commission adopted explicit and substantial penalties for a carrier that fails to meet its CAF II deployment commitments in a state: 1.89 times the average amount of support per location received in that state over the six-year term for the relevant number of locations that the carrier has failed to deploy to, plus ten percent of the carrier's total Phase II support received in the state over the six-year term.<sup>3</sup> For most states in legacy Qwest territory, these penalties could total millions of dollars per state.

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<sup>3</sup> *In the Matter of Connect America Fund; ETC Annual Reports and Certifications; Petition of USTelecom for Forbearance Pursuant to 47 U.S.C. § 160(c) from Obsolete ILEC Regulatory Obligations that Inhibit Deployment of Next-Generation Networks*, Report and Order, 29 FCC Rcd 15644 ¶ 149 (2014).